

## Corporate Partner Spotlight

As part of the "Friends of ILCMA" Corporate Partnership Program, partners at the highest level get the opportunity to submit a one-page written educational piece in the ILCMA newsletter.

### In the words of last year's Nobel Laureate in Literature, "The Times They Are a Changin..."

Stephen B. Friedman, FAICP, CRE, President and Ranadip Bose, AICP, Senior Vice President, SB Friedman Development Advisors.

Our suburban municipalities and smaller cities are facing a sea-storm of changes in demography, economics, technology, values and preferences. These changes pose a fundamental threat to the tax base because they are leading to major shifts in land use and development patterns. Suburbs and small cities are facing higher levels of retail and office vacancy and a growing need for housing diversity, in terms of both housing type and price. Communities need to take the opportunity of comprehensive, sub-area and strategic planning to question the assumptions underlying their current plans and zoning codes and their effectiveness in responding to these socio-economic changes. Key trends to be considered:

Housing development since the Great Recession has pivoted from the suburban edge to the core and from for sale to rental. Millennials' choice of the city will moderate as they marry and have children, but their desire for mixed-use, rich and lively environments may not. Those communities with vibrant town centers – transit-oriented or not—will have a better chance to attract this cohort to replace aging baby-boomers moving downtown, out of state, or to suburban condos/apartments.

Housing product diversity is critical. Housing planning needs to focus on life cycles and distinct types of dwellings to address different age cohorts as needs change through their lives.

Retail is likely to be fundamentally changed. Even if Amazon falters, the shift to online purchase of commodities is inexorable. Restaurants, "guideshops" (try on a sample and order online), recreational establishments, kid activities, pet activities, and spa and beauty services are among the next generation of "retail." It doesn't fit empty big boxes. Illinois' sales tax is not applied to a lot of it. Retail areas need to be fundamentally re-planned as mixed-use, with housing as a key component, to find new life and provide customers with the "new retail," much of which draws on local and walkable trade areas.

Office has evolved as worker and company preferences have shifted towards walkable, mixed-use, dynamic places incorporating retail and residential in a "town center" environment. Areas with these characteristics have or will have substantially lower vacancies preserving at least property tax and utility tax base.



Industrial has been the fastest growing land use – driven by the growth of e-commerce and distribution centers. With projected double-digit growth, e-commerce is likely to continue to fuel industrial demand both in 1,000,000-square-foot e-fulfillment and distribution centers and the last-mile 200,000- to 500,000-square-foot warehouses. Manufacturing is also resurgent with growing global consumer demand and new digital technologies and data analytics, although trade policy shifts are likely to result in winners and losers in manufacturing sectors. Most of the industrial development will be near intermodal transportation hubs to be proximate to labor force, suppliers and customers.

Transportation infrastructure obsolescence and state of disrepair may become a barrier to economic growth. Local governments will need to participate in innovative financing structures and public-private partnerships to compete for decreasing shares of federal funding for rehabilitating and building infrastructure. Over the longer term, disruptive technologies like self-driving cars combined with ride sharing could radically change our communities, on the one hand leading to automation-induced sprawl, and on the other leading to reduced parking needs and densification. Communities that avail themselves of hard-headed planning and the various tools available (TIF, Business Districts, Special Service Areas, etc.) to reimagine and restructure land use will be competitive for the next cohorts. The next generation of community planning is central to the prosperity of the place as well as its quality of life. It is not to be left only to the planners: managers, finance directors and economic development officials must all be engaged to shape communities to adapt to these trends and challenges.